

# MEMORANDUM

## State of Alaska

Department of Transportation & Public Facilities  
Office of the Commissioner

TO: Mike Barton  
Commissioner

DATE: February 22, 2004

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RECEIVED

FROM: Tom Briggs  
Deputy Commissioner



SUBJECT: Ketchikan Move Analysis  
Pacific Marine Technical Svcs.

Attached please find an analysis of the AMHS headquarters relocation to Ketchikan conducted by Pacific Marine Technical Services, an independent marine technical consulting business located in Bainbridge Island, Washington. Greg Dronkert, formerly the Director of the AMHS, owns the firm. Also I have included the latest proposal from KGB dated 2/6/04. A final edited version is being sent but not yet received.

I believe that Mr. Dronkert makes a compelling argument for the merits of relocating the headquarters of the AMHS in Ketchikan. As he convincingly points out, conditions have changed considerably since the last study was done in 1997. Most of the arguments against the move cited in the 1997 study are no longer relevant.

### Cost-

The lease offered by the Ketchikan Gateway Borough is cheaper than the current lease at 3 mile and is structured in such a way that it provides a discount to enable the State to recover the projected moving costs within eight years (see attached Discussion Paper by PMTS). *His analysis identifies a savings to the State of \$562,000 over 10 years.* He also suggests that we can expect over \$200,000 per year in additional savings resulting from increased efficiency attributable to existing infrastructure and resources in the Ketchikan area. I have identified an additional one-time communications cost to the State of about \$27k. This can be absorbed in the \$420k moving costs.

### Management Issues-

Throughout the 1980s and 1990s, multiple plans and proposals that recommended moving the AMHS management to Ketchikan were presented and approved but never implemented. The reasons for these recommendations, simply stated, were that shore management should not be isolated from operations. The solution to this problem in nearly every recommendation was to put management where the ships are: in Ketchikan. The 1989 Acres Report stated that management must be reorganized to be more responsive to the needs of the fleet. A subsequent study in 1992 followed on the heels of

the Acres Report looking at centralizing maintenance and management functions in Ketchikan in order to facilitate badly needed connectivity between management and the fleet. Acres went so far as to recommend that the State should commence immediately the study of separating AMHS from ADOT and the implicit political process "by creating a quasi-commercial entity." *They go on to state that "the alternative to this is to put the complete fleet out to a professional ship management company, on a contract basis."* (emphasis added)

We are evaluating the level of shoreside vessel operations management that is needed for a fleet of nine vessels and I am intending that the evaluation will consider the option of contracting out management as a viable alternative. I submit that if we determined that contracting out shoreside management is the preferred alternative, the contractor would locate themselves in Ketchikan with the bulk of the fleet, not in Juneau.

Testimony from the Acres Report and supported by several Masters during the hearing of SB 27 in 1997 concluded that "ship systems and operations cannot function in isolation from the shore, both are interdependent." Testimony in 1997 further stated that "in the decade since the Acres Report, little has happened to end the isolation between ship and shore and many believe the situation described 10 years ago is worse today."

#### **Recommendation-**

I am sensitive to the impacts to the employees and their families if the decision is made to move the headquarters to Ketchikan. I believe that prior administrations have also been sensitive to the impacts, so much so, that the move, though recommended, was never affected. I believe, however, that the evidence is compelling that the move is the right thing to do from a management standpoint. I would not recommend a move if it wasn't. It also appears that there are significant cost savings to the State as documented by the consultant, something not verified in the administrative report conducted in 1997.

For all of the above reasons, I support the move of headquarters to Ketchikan and recommend that we forward this support to the Governor.

#### **Attachments:**

- Office Relocation to Ketchikan, Discussion Paper, Pacific Marine Technical Services
- Lease Proposal, Ketchikan Gateway Borough, dated 2/6/04